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U.S. Airline Ticket Refunds

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Key Points

- » The onset of the pandemic resulted in an extended liquidity crisis for U.S. passenger airlines.
- » In 2021, carriers issued more cash refunds than in 2019 despite significantly lower revenues.
- » Refund-related complaints to DOT have fallen dramatically from their spring 2020 peak.
- » Airlines commit to a schedule months in advance and, with 75% of costs typically fixed within a three-month timeframe, need to have a significant degree of certainty over their revenue streams.
- » DOT has long recognized that nonrefundable tickets offer benefits for passengers, and, like airlines, many other travel and hospitality industries offer varying price points tied to refundability.

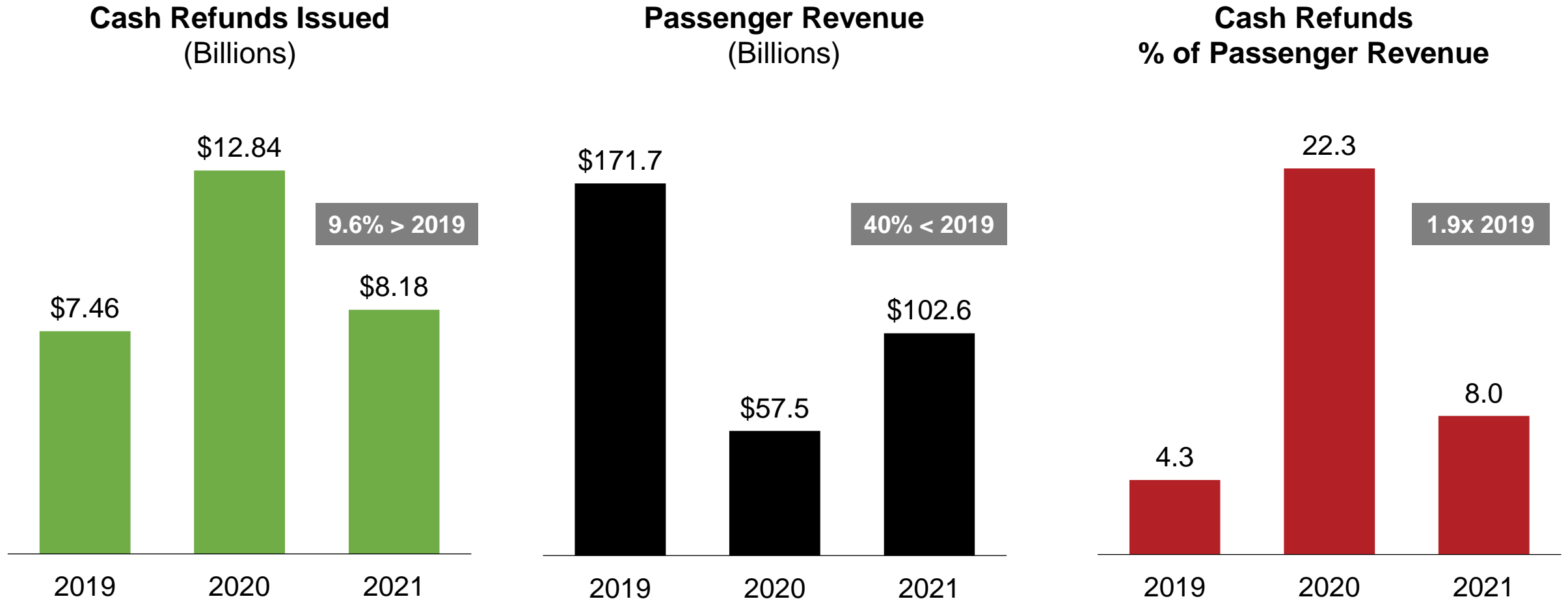
The Onset of the Pandemic Resulted in an Extended Liquidity Crisis for U.S. Airlines

- » Revenues plunged and, as of early 2022, remain well below 2019 levels.
- » U.S. airlines took on massive debt to survive, requiring heavy cash outlays in 2020-2024.
- » The U.S. government's Payroll Support Program (PSP) grants covered 56% of airline labor costs (77% if including PSP loans) but was not sufficient to stem high cash-burn rates, so other steps to preserve cash—and jobs—became critical.
- » To maintain adequate cash levels, where permitted—for nonrefundable tickets—airlines generally preferred to issue credits for future travel, with generous deadlines, rather than cash refunds.

Sources: SEC filings of Alaska/Allegiant/American/Delta/Frontier/Hawaiian/JetBlue/Southwest/Spirit/Sun Country/United and various equity analysts

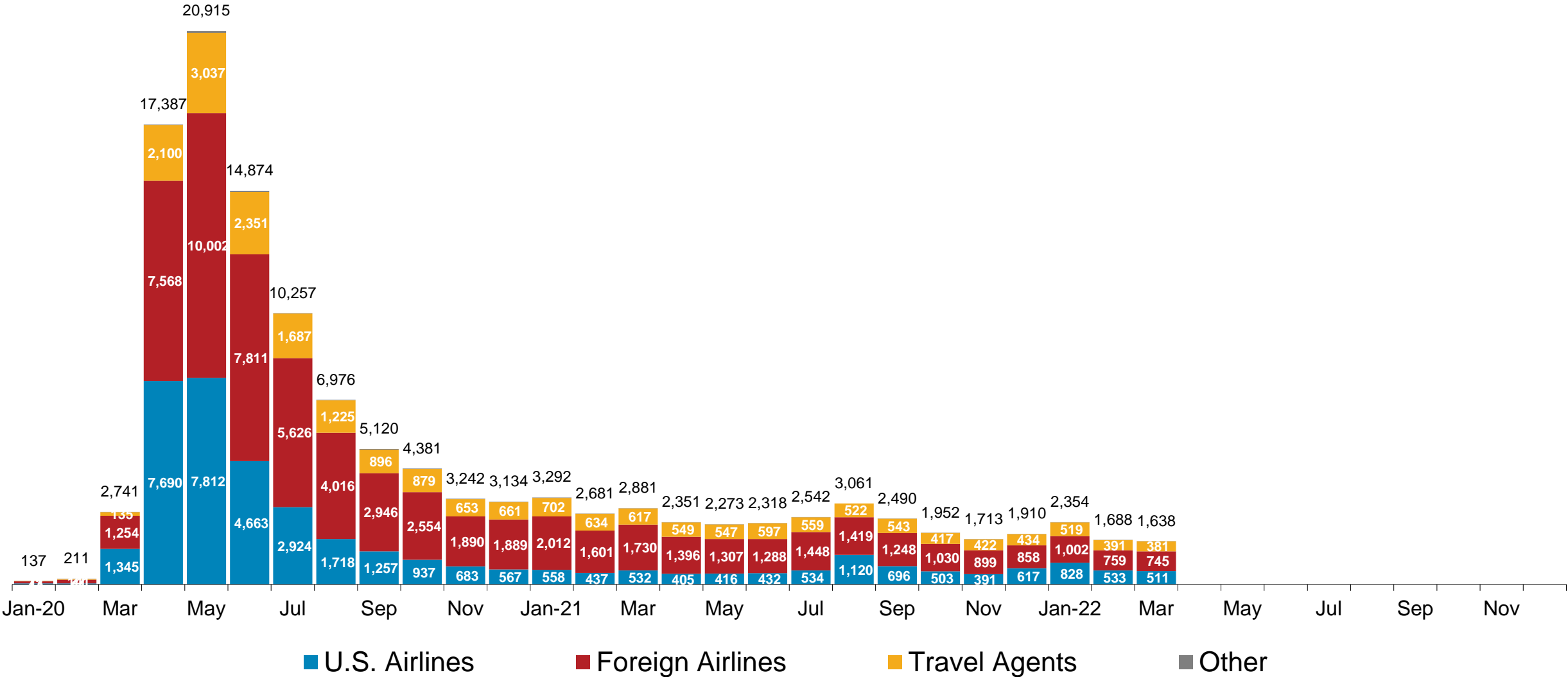
2021 Airline Cash Refunds Nearly Doubled From 2019 as a Share of Passenger Revenue

Airlines Issued ~10% More Cash Refunds Despite 40% Less Passenger Revenue



Sources: Alaska, Allegiant, American, Delta, Frontier, Hawaiian, JetBlue, Southwest, Spirit, Sun Country and United, company SEC filings and Bureau of Transportation Statistics

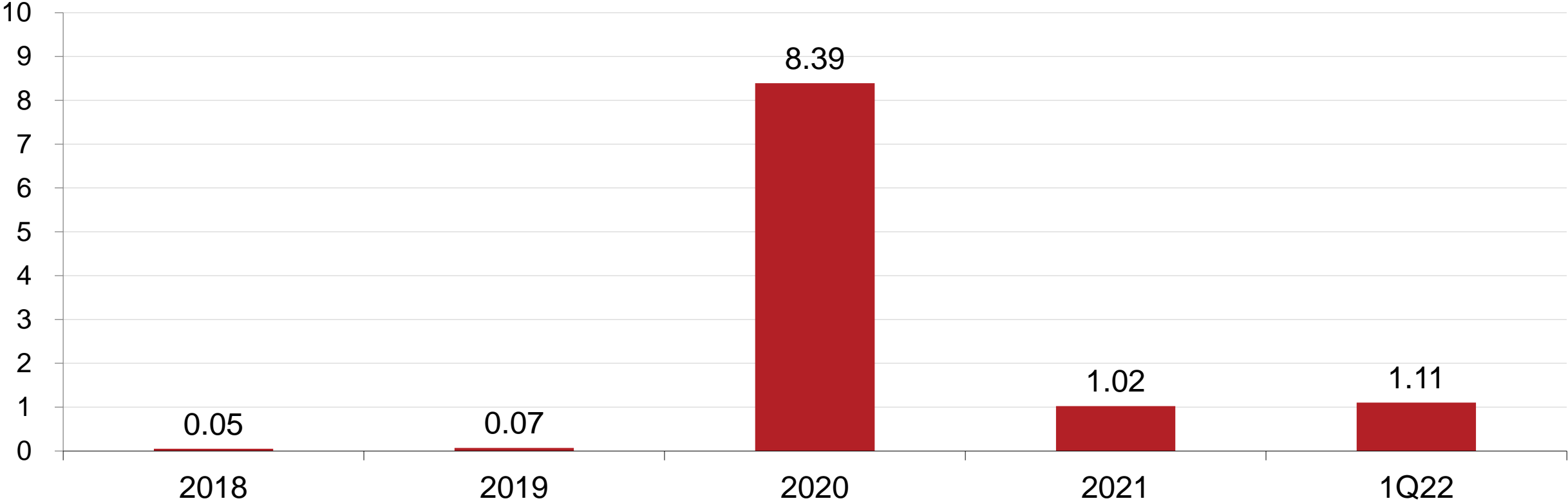
Refund-Related Complaints to DOT Have Fallen From the May 2020 Peak



Source: DOT Air Travel Consumer Report

For U.S. Airlines, the Rate of Refund-Related Complaints Has Fallen Dramatically From the Peak

DOT Refund-Related Complaints per 100,000 U.S. Airline Passengers



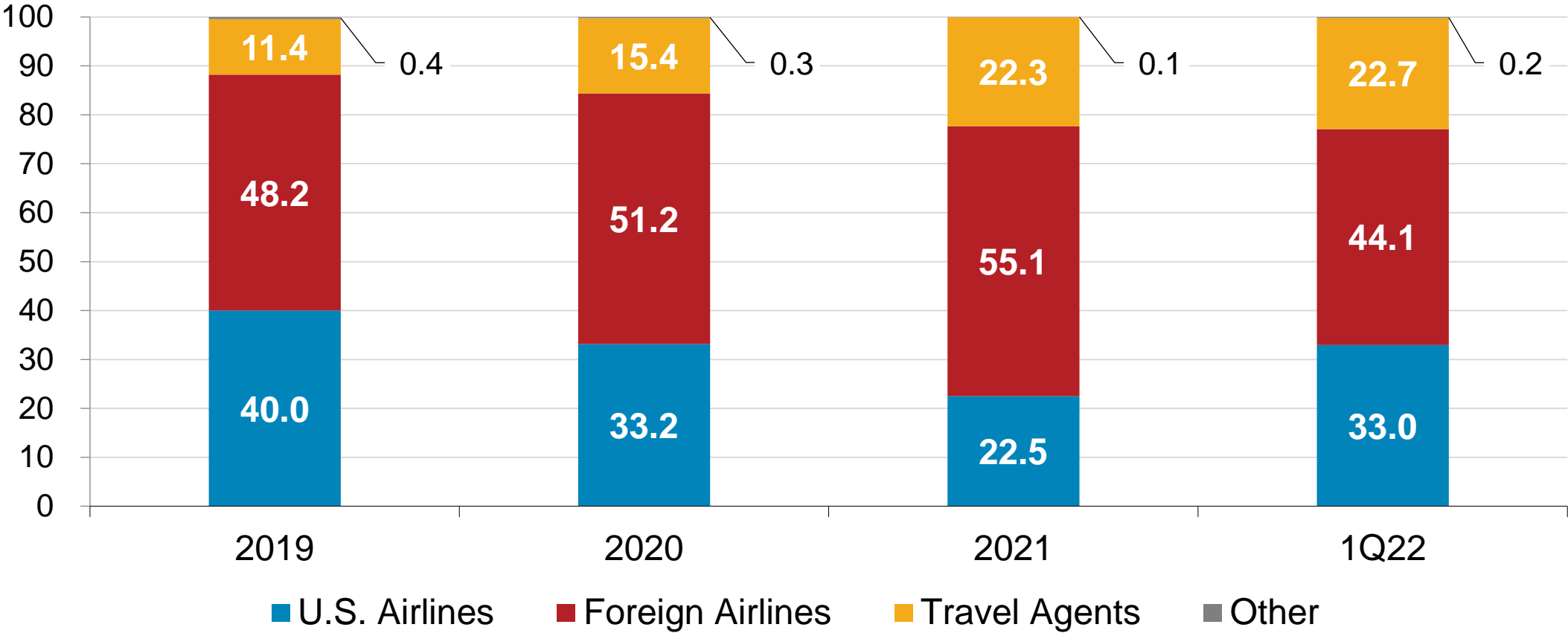
Source: DOT Air Travel Consumer Report

* The surging "Delta" variant and a rash of severe thunderstorms posed challenges in August 2021.

U.S. Airline Share of Refund-Related Complaints Continues to Fall

Majority of Refund Complaints to DOT Are Filed Against Non-U.S. Airlines

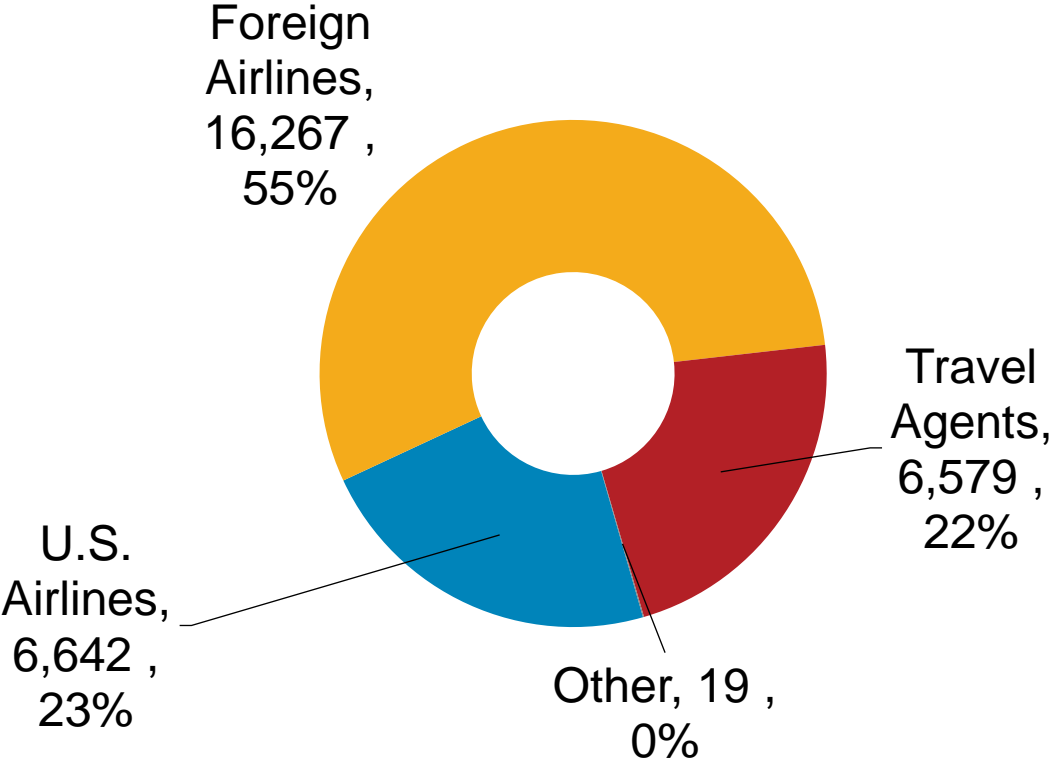
Share (%) of Customer Refund-Related Complaints to DOT by Recipient



Source: DOT Air Travel Consumer Report

In 2021, Travel Agents Accounted for 22% of Refund-Related Complaints

DOT Refund Complaints, 2021

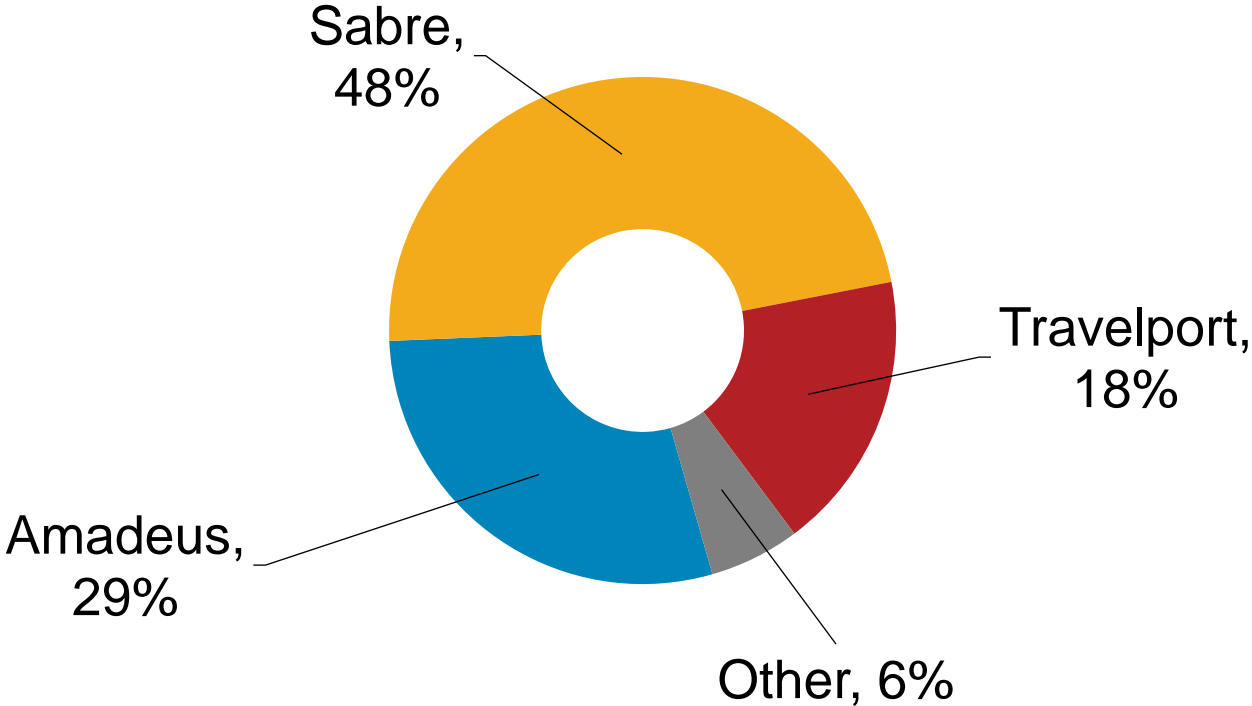


EXPEDIA.COM	1,226
KIWI.COM	960
CHEAPOAIR.COM	376
JUSTFLY.COM	357
ORBITZ.COM	294
VAYAMA	286
ASAPTICKETS.COM	284
GOTOGATE	261
TRAVELOCITY.COM	251
PRICELINE.COM	216
CHASE TRAVEL	159
EDREAMS.COM	116
INDIAN EAGLE	107
HOPPER.COM	80
FLIGHT NETWORK	79
Other	1,527

Source: DOT Air Travel Consumer Report

The “Big Three” Global Distribution Systems (GDS) Account for 94% of Airline Tickets Issued by U.S.-Based Travel Agencies, Including Sabre With Nearly 50% of the Market

Approximate Share of U.S. Travel Agency Tickets Issued, 2021



Source: Airlines Reporting Corporation (ARC)

Note: Travelport includes Apollo, Galileo and Worldspan; other includes Axess, Infiniti and Travelsky

DOT Has Long Recognized That Nonrefundable Tickets Offer Benefits for Airline Passengers

Ability to Offer Nonrefundable Tickets Means Availability of Lower Fares and Improved Cash Flow

“Congress deregulated domestic airfares more than 20 years ago and this Department consequently has extremely limited powers with respect to domestic airfares and related conditions. Absent compelling evidence of consumer deception or unfair methods of competition, we have allowed the marketplace to govern carrier decisions regarding fares and their associated conditions. Thus, **the lower price for nonrefundable tickets is a trade-off for passengers** agreeing to a restriction that **allows a carrier to manage its inventory and cash flow**. The **public benefits in low fares** found to exist under our present deregulated fare environment could be undone by the government intrusion requested by petitioner...

There are usually several fares available on any given flight, and the **prices vary depending on the extent of the conditions with which the passenger is willing to comply, including the ability to cancel a ticket and receive a full refund.**”

Source: U.S. Department of Transportation Order 2003-3-11 (March 18, 2003)

Sample Airline Display: Delta Fare Varies by Product Choice/Restrictions

Tue, Jan 11, 2022

Price Includes taxes and fees. Baggage fee may apply. Services and amenities may vary or change.

		Basic	Main	Comfort+	First	Delta One
		Seat(s) assigned after check-in				
DL312	6h 41m	Basic (E)	Main (V)	Comfort+ (W)	First	Delta One® (Z)
7:40am	→	\$99	\$124	\$314	Not Offered	\$599
BOS	Nonstop	One Way	One Way	One Way		One Way 1 left at this price
Details Seats						
DL458	6h 41m	Basic (E)	Main (V)	Comfort+ (W)	First	Delta One® (Z)
6:20pm	→	\$99	\$124	\$314	Not Offered	\$599
BOS	Nonstop	One Way	One Way	One Way		One Way 2 left at this price
Details Seats						
DL781, DL920	8h	Basic (E)	Main (V)	Comfort+ (W)	First (Z)	Delta One
12:42pm	→	\$108	\$133	\$323	\$608	Not Offered
BOS	MSP 43m	One Way	One Way	One Way	One Way 5 left at this price	
Details Seats						

Main	Comfort+	First	Delta One
Refundable	Refundable	Refundable	Refundable
Refundable Main (X)	Refundable Delta Comfort+ (W)	Not Offered	Delta One® (Z)
\$179	\$364	Not Offered	\$799
One Way	One Way		One Way 1 left at this price
Refundable Main (X)	Refundable Delta Comfort+ (W)	Not Offered	Delta One® (Z)
\$179	\$364	Not Offered	\$799
One Way	One Way		One Way 2 left at this price
Refundable Main (X)	Refundable Delta Comfort+ (W)	Refundable First Class (Z)	Delta One
\$188	\$373	\$708	Not Offered
One Way	One Way	One Way 5 left at this price	

Source: Delta.com (Nov. 23, 2021)

Sample Airline Display: American and Southwest Fares Vary by Product Choice/Restrictions

American Airlines PLAN TRAVEL TRAVEL INFORMATION AADVANTAGE* LOG IN

Home English Search AA.com

Choose flights

More flexibility for your travel
We're waiving change fees for more flexibility on certain tickets and travel dates.
[Flexible travel updates](#)

Face coverings and travel requirements
A face covering is required by U.S. federal law when indoors at the airport and on board American Airlines flights, regardless of vaccination status. These rules do not apply to children under 2. Passengers who may be exempt from wearing a face covering due to a disability must contact us before travel. [Read about face coverings](#)

There are new requirements to enter the U.S. based on citizenship / residence and vaccination status. All travelers entering the U.S. must also provide their contact information within 72 hours before departure. [Read about travel requirements](#)

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Depart Dallas/ Fort Worth, TX to Billings, MT
Sunday, March 20, 2022

American Airlines flights may be listed first.

Product comparison

Lowest Fare Flexible

Fri, Mar 18	Sat, Mar 19	Sun, Mar 20	Mon, Mar 21	Tue, Mar 22
\$ 529	\$ 529	\$ 529	\$ 499	\$ 459

Sort by: Relevance

	Main Cabin	First
DFW 8:40 AM → BIL 10:42 AM 3h 2m Nonstop AA 4095 = E75-Embraer 175	Round trip \$ 529	Round trip \$ 967

Southwest MAR 20 - 26 MCI → MCO Modify

Government taxes & fees included \$ Points

Depart: MCI → MCO
Kansas City, MO - MCI to Orlando, FL - MCO

Low Fare Calendar First 2 bags fly free®

Sort by: Departure time Filter by: Nonstop All day

Departing flights	Number of stops	Duration	Business Select®	Anytime	Wanna Get Away®
Low fare # 1584 5:00 AM → 8:40 AM	Nonstop	2h 40m	\$289	\$249 3 left	\$179 3 left
# 1566 / 292 5:40 AM → 12:35 PM	1 stop Change planes DAL	5h 55m	\$457	\$417	\$347
# 2350 / 1578 5:50 AM → 12:55 PM	1 stop Change planes BWI	6h 5m	\$705	\$675	\$264 3 left
# 1300 / 1696 6:20 AM → 11:50 AM	1 stop Change planes ATL	4h 30m	\$363	\$323 3 left	\$253 3 left
# 1569 8:00 AM → 2:15 PM	1 stop	5h 15m	\$396	\$356 3 left	\$286 3 left
# 1709 / 2067 8:45 AM → 3:45 PM	1 stop Change planes HOU	6h 0m	\$495	\$455	\$385
# 559 9:25 AM → 2:35 PM	1 stop	4h 10m	\$453	\$413	\$343

Source: AA.com and Southwest.com (Nov. 21, 2021)

Sample Airline Display: United Fare Varies by Product Choice/Restrictions

English - United States \$
Saved trips
Search
SIGN IN
MENU

Washington IAD ↔ Seattle SEA
 Mar 20 - Mar 26
Money
Miles
Update
or Advanced Search

i Book now with flexibility. Book a flight today and change it with no change fee. Some Basic Economy exceptions apply. [Learn more](#)

Depart: Washington, DC, US to Seattle, WA, US

All fares shown are the total price roundtrip, per person. Fare attributes may not apply for flights not operated by United or United Express®.

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\$250 statement credit
35,000 bonus miles

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i United flights may be listed first.

[Sort and filter](#)

Thu 3/17 \$543	Fri 3/18 \$553	Sat 3/19 \$543	Sun 3/20 \$642	Mon 3/21 \$543	Tue 3/22 \$543	Wed 3/23 \$543
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Flight Info

Depart on Mar 20, 2022

	<u>Economy</u>	<u>Economy (fully refundable)</u>	<u>First (2-cabin)</u>
<p>✓ Choose your seat</p>	<p>✓ Choose your seat</p>	<p>✓ Extra-spacious seat</p>	
<p>10:36 AM IAD 5H, 57M SEA UA 1964 (Boeing 737-800) Details Seats</p> <p>NONSTOP 1:33 PM</p>	<p>Roundtrip \$699</p> <p>United Economy (V)</p>	<p>Roundtrip \$799</p> <p>United Economy (V)</p>	<p>Roundtrip \$1,371</p> <p>4 tickets left at this price</p> <p>United First (Z)</p>

Source: United.com (Nov. 23, 2021)

Sample Airline Display: Alaska Fare Varies by Product Choice/Restrictions



Book Manage Check in Where we fly Traveling with us Mileage Plan

Español Cart 0 Help center Sign up Sign in

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Change your search

Available flights

Baggage fees may apply.

[Change search](#)

[Clear all selections](#)

[Currency converter](#)

We searched for all Los Angeles, CA airports. Be sure to note which airport is being used.

View by

- Schedule
- Calendar
- Price

Choose departing flight:

Anchorage (ANC) to Los Angeles, CA (All Airports)

Calendar navigation showing dates and fares:

- Thu Mar 17: \$125
- Fri Mar 18: \$158
- Sat Mar 19: \$149
- Sun Mar 20: \$149 (Selected)
- Mon Mar 21: \$125
- Tue Mar 22: \$125
- Wed Mar 23: \$125

Filter results

Stops

- Nonstop
- 1 stop
- 2+ stops

Upgrade fare type

- No preference
- Mileage
- MVP®
- MVP® Gold
- MVP® Gold 75K
- MVP® Gold guest

Lowest Fare Refundable

Sort by Stops

[Compare fare types](#)

Saver	Main	First Class
Most restricted	Most popular	Most comfortable
\$149	\$179	only 2 left at \$1,348

Alaska 150 ANC 11:55 pm LAX 6:03 am
 5h 8m | Nonstop | [Details](#) | [Preview seats](#)

Source: AlaskaAir.com (Nov. 23, 2021)

Sample Airline Display: JetBlue Fare Varies by Product Choice/Restrictions

jetBlue FLL → JFK Mar 20 - Mar 26 1 Traveler Sign in

Explore fares

- Blue Basic** From \$121
- Blue** From \$146
- Blue Extra** From \$171

Compare fares

Prices displayed are one-way per person including taxes & fees. Additional bag fees may apply and may change based on frequent flyer status.

Select your departing flight

Blue Basic fares give you our lowest price, with no carry-on bag allowed and a fee for advance seat selection.

Stops: FLL-JFK Select new dates Dollars Points Sort

Time	Origin	Destination	Duration	Stops	Price	Fare Type
6:00am	FLL	JFK	2h 48m	Nonstop	\$176	Blue Basic
jetBlue						
7:00am	FLL	JFK	2h 47m	Nonstop	\$121	Blue Basic
jetBlue						
8:00am	FLL	JFK	2h 47m	Nonstop	\$176	Blue Basic
jetBlue						

Source: JetBlue.com (Nov. 23, 2021)

Other Industries, Including Those in Travel and Hospitality, Offer Nonrefundable Purchases

The screenshot shows the Amtrak website interface for a train search. The search parameters are from Richmond, VA (Main Street Station) to Boston, MA (South Station) on Monday, March 21 to Friday, March 25. The search results display three train options:

- Train 86 (Northeast Regional):** Departs 5:35a, Arrives 4:38p, 10% full, 11h 3m Direct.
- Train 174 (Northeast Regional):** Departs 6:35a, Arrives 6:30p, 20% full, 11h 55m Direct.
- Train 66 (Northeast Regional):** Departs 6:00p, Arrives 7:58a, 10% full, 13h 58m Direct.

A 'SELECT COACH OPTION' pop-up is shown, listing three fare options:

Price	Option	Refundability
\$47.00	Saver	Non-refundable. Cancel/change fee may apply.
\$127.00	Value	Refundability options. No change fee.
\$232.00	Flexible	100% refund before departure. No cancel or change fees.

Additional details for the \$47 Saver fare include:

- No middle seat and plenty of legroom
- At-seat lighting, tray table and outlet
- Earn 2 Guest Rewards points per \$1

This block provides a detailed view of the 'SELECT COACH OPTION' pop-up. It shows the following fare options:

Coach from	Business from
\$47	\$112



The 'SELECT COACH OPTION' pop-up lists the following fare options:

Price	Option	Refundability
\$47.00	Saver	Non-refundable. Cancel/change fee may apply.
\$127.00	Value	Refundability options. No change fee.
\$232.00	Flexible	100% refund before departure. No cancel or change fees.

- No middle seat and plenty of legroom
- At-seat lighting, tray table and outlet
- Earn 2 Guest Rewards points per \$1

Source: Amtrak.com (Nov. 21, 2021)

Other Travel Industries Offer Nonrefundable Purchases (Cont'd)

Your Stay  Sun, Mar 20 – Mon, Mar 21, 2022 (1 night)  1 room for 1 adult [Edit Stay](#)

Step 2 of 3

Select a Rate

Special Rates Use Points & Money

Avg/night in **\$USD** ▼

Flexible Rate

Change or cancel up to 1 day before arrival. Room only.

\$264



Book

Honors Discount

\$264

\$259



Book

Semi-Flex

Change or cancel up to 3 days before arrival. Room only.

\$253



Book

Honors Discount

\$253

\$247



Book

Non-refundable

No cancellations. Pay now.

\$234



Book

Honors Discount

\$234

\$229



Book



 **Canopy by Hilton Atlanta Midtown** ▼

2 Queen Beds
Change Room

Select a Rate

Payment and Guest Details

Source: Hilton.com



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